

# Biopolitics and Neoliberalism: The Future of the Eurozone

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November 29, 2011

The phenomenal crisis in the eurozone, which started in the periphery with a very sick Mediterranean patient but has now spread to the core, is threatening not merely the survival of the euro as a currency but the integrity of the European Union (EU) itself. Indeed, pundits of all sorts, ranging from esteemed publications like the *Economist* to renowned economists like Nouriel Roubini and master investors like George Soros, believe the eurozone is on the verge of dissolution. And who knows, they may be right. We happen to think the eurozone *will* have a future, but it will be as a smaller-scale project, along the lines suggested by the optimum currency area theory and with tight control of national fiscal policy.

However, just to illustrate how serious things really are in Euroland, consider the following:

**Greece:** The crisis continues unabated, in spite of (or, more likely, because of) massive bailouts, severe fiscal consolidation, spartan measures, and the imposition of a “technocratic” government (democracy and sovereignty have been thrown to the dogs in this country). The economy is in free fall (debt is increasing, government revenues are declining, unemployment is close to 20 percent, and small and medium businesses are going bankrupt in record numbers); civil society, in the process of dissolution (the poverty rate is widening, services are collapsing, anomie is rampant, levels of violent crime are up, and the flow of illegal immigrants is causing a social crisis of unprecedented proportions); and the government, in default of its domestic obligations (the public sector has stopped making payments to suppliers and owes billions to private companies).

**Portugal and Ireland:** two other eurozone states lying on a hospital bed and forced to take high doses of neoliberal medicine, and showing no signs of recovery. As in the case of Greece, and contrary again to EU/IMF projections, Portugal’s GDP continues to decline—the economy is forecast to fall by another 3 percent next year and the troika supervising the dose has demanded more cuts, prompting the Portuguese working population to respond with national strikes. And in Ireland, despite the recovery of the foreign-owned sector, the domestic economy has slowed and the country is still in a recession.

**Italy and Spain:** Both nations are currently engulfed in debt flames (in spite of the fact that Spain does not have a public-finance crisis, as its debt-to-GDP ratio is just slightly over 60 percent and lower than that of Germany and France, while Italy, at only 4.6 percent

of GDP, runs one of the lowest budget deficits in the EU) and being administered the usual neoliberal medication (a sure way to worsen their condition!).

**Belgium:** Belgium’s 10-year-bond yields have jumped in the last few days to their highest level since the early 2000s, following a stern warning from the Brussels bureaucrats that the nation’s public finances are out of line with its fiscal targets. With the Belgian two-year-bond yield already above 5 percent and the 10-year yield up sharply to 5.8 percent, it won’t be long before they approach Spanish (6.09 and 6.69 percent, respectively) and Italian (7.66 and 7.26 percent) government bond yields.

**France:** France’s AAA credit rating has been repeatedly threatened with a downgrade by Moody’s and Fitch, but the fact that its 10-year-bond yield is on the rise (now standing at 3.69 percent and representing the widest spread from German bond yields since 1990) implies that it has already lost its prized triple-A status.

**Germany:** Angela “Mutti” Merkel and the chickens coming home to roost might be the final chapter in the eurozone drama that began with the imbroglio of those “profligate” Greeks (here, the ironic and truly sad thing is that the Greek patient is likely to remain in a debt coma or in a general comatose state for many years to come, either in the eurozone or “out there,” because the cause of its illness goes far beyond the consequences of the global crisis of 2008 or the architectural flaws of the euro). Who would have thought a few months ago that investors would lose interest in the government bonds of those righteous Germans, and that UK borrowing costs would drop below those of the economic “Fourth Reich”?

Yet, while Rome burns, the emperor fiddles. Or at least so it seems, as “Mutti” continues to brush aside calls to permit the European Central Bank to act as lender of last resort and remains steadfast against suggestions for the issuing of a eurobond. Germany does have a plan for the eurozone, even if many prefer not to see it: it is one of Darwinian biopolitics (member-states with strong political regimes but democratically weak institutions) and neoliberal economics (fiscally sound, market-conforming economies, free of social welfare niceties and all the other nonsensical elements of “good and fair societies”).

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